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Division of Statewide Planning
Alaska Department of Transportation & Public
3132 Channel Drive, Room 200
Juneau, Alaska 99801-7898

FAX: 1-888-PLANFAX

Attention: Draft Southwest Transportation Plan

Dear Sir or Madam:

On behalf of my clients, I submit the following comments.

1. The Description of Economy (pp. 6-7) Misses the Mark and Fails to Justify the Proposed Roads. The Proposed Roads Appear Economically Counter-Productive.

The draft plan states that the economy is dominated by commercial fishing.

I am not an economist, but I try to follow fishery-economic data in my work on fishery conservation issues. The statement that the economy is dominated by commercial fishing is oversimplified, at least for planning transportation purposes.

It is more accurate to say the following:

- Within the portion of the planning area where ADOT&PF proposes a road corridor, from Williamsport Bay to the Chignik, the commercial salmon fishing industry has been dominant but had declined dramatically in recent years with the rise of competition from fish farming.
- The economy generated by sport fishing in the Naknak, Kvichak, Nushagak/Mulchatna drainages appears to surpass that generated by commercial salmon fishing in Bristol Bay.
- In terms of economic production, most of this recreational economy is wilderness dependent, based on lodges, charter air service, guiding, hunting, float trips, and the like, and the vast majority is generated by sport fishing.
- Target species and concern about crowding are the two most important variables anglers use in determining where to spend their recreational dollars, and rainbow trout lead king and silver salmon as the most sought-after target species.

- The recreational economy in Southwest is much more efficient in producing jobs and commerce than the roaded streams of Kenai Peninsula or the crowded streams of the West Side of the Susitna.
- On the order of a at most couple of thousand older-age-class, large, rainbow trout that are caught and released repeatedly in Southwest Alaska now rival or produce more commerce than all the commercial salmon fishing in Bristol Bay.

I'll now discuss these points.

In 2001, the ex-vessel value of salmon caught in Bristol Bay was \$36 million, according to a recent Anchorage Daily News article on the economic troubles in the commercial fishing industry. In 1986, recreational users spent of the Nushagak/Muchatna drainage spent \$25 million in 1985 on the four post-commercial-air-service sectors of guiding, meals, lodging, and charter transportation, according to the Recreational Service Provides Study, by Jon Issacs & Associates, for the Bristol Bay Coastal Resource Service Area Board. These users were about 90 percent anglers. In 1988, the master's thesis, "An Economic Evaluation of Recreational Fishing in Bristol Bay, Alaska" (Ackley, U of AK, Juenau) estimated total annual sport fishing spending derived from the Kvichak and Naknek drainages as \$50 million. Both studies found or indicated that rainbow trout were the most sought or desired target, ahead of king and silver salmon. Both studies found or indicated, consistent with the economic studies by Jones & Stocks for ADF&G regarding Southcentral, that the chief two factors sport fishers use to determine where to spend their recreational dollars are (1) target species and (2) concern about crowding.

It is reasonable to estimate that total spending by sport fishers related to the Kvichak, Naknek and Nushagak/Mulchatna drainages approximated \$75 million per year in the 1985-1987 time frame. This is because the Issacs study looked only at terminal sector spending and did not include commercial air fare or lodging and meals in Anchorage for example, and the recreationists were overwhelmingly sport fishers; and because the Ackley study looked at sport fishing spending in all sectors. Because rainbow trout are, generally speaking, the most desired target of the sport fisheries, and because king and silver salmon are not contemporaneously available in those fisheries, one can readily estimate the trout account for at least half the sport fishing spending. In 1985-1987, this would have been about \$37 million/year on fishing for trout in these drainages. This is roughly the ex-vessel value of the salmon caught in the bay in 2001.

Recreational use and spending have undoubtedly increased since 1985-87. The spending by sport fishers seeking trout in an uncrowded setting now probably surpasses the spending by processes/tenders on the first sale (ex-vessel value) of the salmon.

I bring this up because our commercial salmon fisheries, historically the main source of private sector income for residents of Southwest Alaska, are on the economic decline due to fish farming. One of the few prospects for private sector employment, other than the declining commercial fishing industry, is the recreation industry. I'll concede that for a variety reasons, many rural residents have not found employment in that industry, but my own experience over

the last 20 years is that this is slowly changing. Native corporations are entering the recreational-service-provider industry; Native and non-Native rural residents are employed in charter transportation more than they used to be, and I encounter Native and non-Native employment in other sectors, such as food services, increasingly.

ADOT&PF must understand the nature of the industry, the consumers and the changing employment picture. In the Issacs study, the recreational consumers were 69 percent non-Alaskans. By contrast, the Jones & Stokes study in Southcentral found that those who use the Kenai, for example, were 81 percent Alaskans, and the same was true in the Susitna Valley fisheries. One point is that the non-Alaskans come, leave their money, bring new money to the economy, and don't demand much in the way of governmental services, such as schools, roads, welfare, courts. Residents do. So, it is important to consider the consumer base when talking about the nature of the economy.

In the Issacs study, approximately 14,000 visitor days produced the \$25 million in expenditures in the four sectors of terminal-sector spending related to the Nushagak/Mulchatna. At the same time (1986), Jones & Stokes found that 330,000 angler days produced only \$43 million in all sectors related to the Kenai River drainage. In the Nushagak/Mulchatna, it took 32.5 visitor days to create a job in the four post-scheduled-transportation sectors (guiding, meals, lodging, charter transport), and on the Kenai Peninsula, it took about 1000 angler days to create the same sort of job, according to the Jones & Stokes data. Because the former is a relatively uncrowded, non-resident-based fishery and the latter is a crowded resident-based fishery, I assume that the cost of governmental services attributed to the former is much less than the cost attributed to a resident-based fishery. Compare for example, the endless costs of improved roads, and studying fishery and habitat issues, related to the Kenai River to the absence of such costs in Southwest. These costs are all discounted from the value of the respective fisheries. In short, the wilderness-based recreation industry in Southwest Alaska is very efficient at producing jobs and commerce, but it has an economic carrying capacity, that if over grown, by roads for example, becomes less productive, and starts to behave like the West Side of the Susitna, which produces far less commerce than either area.

In Southwest, anglers pay several thousand dollars for a week for world-class trout fishing in an uncrowded setting. They won't pay that for a week of salmon fishing, crowded or not. They can get that on the Kenai or in the Susitna Valley. And they won't pay that for 15-to-18-inch trout. They can get that in Montana and the Lower 48. Furthermore, Southwest Alaska's competition is for high-end angling and occurs with places like Belize and Christmas Island, not the Kenai Peninsula.

So, what does all this have to do with your transportation plan? All this indicates that ADOT&PF does not understand the economy. If roads turn the fisheries into more crowded, more accessible fisheries, ADOT&PF will drive out the non-resident angler who pays high amounts for uncrowded trout fisheries, and leaves money and demands no governmental services. ADOT&PF will only shift Alaskans from the Kenai and Susitna Valley to Southwest. That will not create new spending – because people do not have unlimited time for recreation – it

will only shift the locale of the spending. The recreational economy will shift more to salmon which do not produce jobs and money as efficiently as trout. The result will be that ADOT&PF will eliminate non-resident spending and create no new resident spending. That is an economic loss. The effects will be felt throughout the Southwest. Conflicts with local users and with the commercial fishing industry will increase as the commercial fishing industry continues to decline and as recreation shifts from economically more productive trout to economically less productive salmon. It is not a good picture.

What is regrettable is that ADOT&PF has most of this data from the Iliamna-Nondalton litigation, but the planning staff does not seem to be communicating with the regional staff.

2. There Is No Place For Roads That Have Such Poor Benefit-Cost Ratios; They Defeat Spending on Projects That Have Real Benefits

The draft plan concedes (p. vi) that “some” recommended projects are not cost-beneficial. Elsewhere, ADOT&PF has conceded that generally roads with less than 1.00 as a benefit-cost ratio should not be built.

Table 11 states that the estimated cost of the Cook Inlet to Bristol Bay corridor estimated cost is \$363 million. Table 12 states that the annualized capital cost to State (capital + O&M) is \$37 million/year, and that the net annualized savings to Alaskans is \$6 million. The benefit-cost ratio is \$6 million/\$36 million and equals 0.16. This is a terrible benefit-cost ratio.

Similarly, Table 15 states that the Alaska Peninsula corridor estimated cost is \$556 million. Table 16 states that the annualized capital cost to State (capital + O&M) is \$57 million/year, and that the net annualized savings to Alaskans is \$3 million. The benefit-cost ratio is \$3 million/\$57 million and equals 0.05. This is even worse.

Even if the economy were still driven by commercial salmon fishing in the area where the plan proposes roads, these roads are grossly wasteful. Given how the economy is changing, it is worse. ADOT&PF plans to waste nearly a billion dollars on roads where every indication is that doing so will destroy the wilderness-based recreational economy that is becoming the main economy. This is absurd.

Such absurd projects defeat spending on projects that have real benefits.

3. Iliamna-Nondalton.

The plan excludes the Iliamna-Nondalton project from analysis on the ground that it is already programmed. This is specious, because the project is not yet built.

In so doing, the plan concedes that it does not do anything approaching cost-benefit analysis with respect to the Iliamna-Nondalton project.

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This is unconscionable. The benefit-cost ratio on this project was 0.26 in 1986. In the prior litigation, the plaintiffs produced their own re-evaluation that showed that ADOT&PF had failed to use federal standards for calculating benefit-costs, and that the actual ratio was on the order of 0.07. That, too, is in ADOT&PF files on this project but is ignored by the planning staff.

If anything, the ratio has probably gotten worse, for the reasons said at the outset about the changing nature of the economy.

Overall, roads with such poor cost-benefit figures, such as Iliamna-Nondalton, the Cook Inlet corridor and the Alaska Peninsula corridor, indicate that ADOT&PF needs to rethink how it plans to spend surface transportation funds.

Finally, I understand that FHWA has advised ADOT&PF that it needs to pay more attention to maintenance. FHWA funds are likely to decrease as our Alaska delegation loses influence in the near future because of Congressional leadership rules. This plan needs to be conscious of such considerations.

Thank you.

Sincerely,

Geoffrey Y. Parker

cc: Kelly Hepler, ADF&G, Sport Fish Director
TU State Council
ASA